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September 18, 2017

The Honorable Gary Glenn
Michigan House of Representatives
P.O. Box 30014
Lansing, MI 48909-7514

Re: Michigan State Reliability Mechanism

Dear Representative Glenn:

The Midcontinent Independent System Operator, Inc. ("MISO") appreciates the opportunity to work with the State of Michigan as it implements its long-term resource adequacy processes. In response to your request made on September 12, 2017, MISO provides the following response regarding where Alternative Energy Suppliers can procure capacity resources to satisfy MISO's resource adequacy requirements.

MISO's regional use of the electrical system provides load serving entities, including Alternative Energy Suppliers, with extensive access to capacity resources from both inside MISO's fifteen state footprint as well as outside the footprint, subject to any physical transmission limitations. MISO requires load serving entities to demonstrate that they have a sufficient amount of capacity resources available to meet their planning reserve margin requirement. MISO also calculates a local clearing requirement which reflects the amount of generation required to maintain resource adequacy in each Local Resource Zones. Both requirements are necessary to help to ensure system reliability.

During Tuesday's hearing, there were discussions regarding MISO's locational requirements that I would like to address. The physical location of capacity resources is an important consideration in MISO's resource adequacy processes. In 2010, the Federal Energy Regulatory Commission ("FERC") directed MISO and its stakeholders to take steps to incorporate locational capacity market mechanisms into MISO's resource adequacy construct.¹ In response to FERC's directive, MISO created Local Resource Zones to better evaluate local resource availability and transmission needs. The State of Michigan has load in two Local Resource Zones: one in the lower peninsula (Local Resource Zone 7) and one in the upper peninsula (Local Resource Zone 2).

¹ *Midwest Indep. Transmission Sys. Operator, Inc.*, 131 FERC ¶ 61,228 (2010) at P 24.

The Honorable Gary Glenn
September 18, 2017
Page 2

For each Local Resource Zone, MISO conducts an annual transfer analysis study to determine how much capacity may be reliably imported into a particular zone. The results of this study are used to establish local clearing requirements for each Local Resource Zone. As mentioned above, local clearing requirements reflect the minimum amount of resources that must be from the Local Resource Zone in order to meet system reliability standards.

Based on the results of the most recent transfer study analysis for the 2017-2018 planning year, the lower peninsula of Michigan (Local Resource Zone 7) has a local clearing requirement of 95%. The remaining 5% of capacity resources necessary to meet planning reserve margin requirements may be imported from outside of Local Resource Zone 7. While the results of the transfer analysis remain relatively constant from year to year, the ability to import additional capacity into Local Resource Zone 7 may change in the future based on evolving system conditions, including transmission projects that expand import capability.

MISO looks forward to continuing to support the State of Michigan as it implements its long-term resource adequacy processes. Please feel free to contact me if you have any further questions.

Respectfully submitted,

/s/ Melissa Seymour

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cc: Michigan House of Representatives,
Energy Policy Committee